WORLD BANK NEWS

Volume XIII, No. 36 September 29, 1994

PUBLICATIONS

Action Needed Now To Head Off Old Age Crisis

The report, Averting The Old Age Crisis: Policies To Protect The Old And Promote Health, *and this article are embargoed until 2000 GMT(4 p.m. EDT, 9 p.m. Madrid time), Monday, October 3, 1994.*

Changes in the world's old-age security systems—whether forced or planned—are as inevitable as aging itself: either the systems will be strengthened and reformed soon, or they will collapse under the weight of rapidly growing numbers of elderly. That is the finding of a new World Bank report that sounds a warning on the state of old-age support around the world.

When people get older, their needs increase—and so do their demands on society. As the number of elderly climbs rapidly, governments in rich and poor countries alike face the daunting challenge of meeting those demands. But careful planning must begin now to head off major shortfalls that could leave old people without support, according to the report, *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth.*

"The world today faces a looming old age crisis," said Michael Bruno, the Bank's chief economist, at a press conference to release the report. "Raising life expectancy and declining fertility—welcome indications that development is work-

See AGE, page 2

Elsa Ramirez

New thoughts on old age.

LENDING

Turkey Plans Health Care For Poor Areas

Turkey, like many large countries, sometimes has to struggle to get important services to people in all parts of its far-flung territories. Health care is a key example. While an increase in the number of doctors, nurses and clinics has brought better health to Turks in many parts of the country, people in the remote, sparsely populated eastern provinces—some of Turkey's poorest regions—still lack even basic care.

Overall in Turkey, economic growth, policy reforms and investments in health care have helped extend average life expectancy by more than 40 percent and cut infant mortality by almost three quarters. In the past 30 years, health improved more than it did during all the rest of the country's history.

Now the government will use a $150 million World Bank loan to narrow the care gap that has opened as isolated, low-income areas fall behind. The program will provide basic, first-line health interventions in places where minor problems too often grow into major conditions.

See, TURKEY, page 2

INSIDE

Per-capita GNP in poor countries grew in 1993, according to new World Bank figures. Country-by-country listings. 3

Updated schedule for Annual Meetings in Madrid. 6

Independent Inspection Panel opens to examine complaints against Bank projects. 8

Media contact list, page 6

Develoment agenda, page 7

Lending roundup, page 8

For Countries And Individuals, Increased Savings Lead To Old-Age Security

AGE, *from page 1*

ing—also mean that the proportion of old people in the general population is growing very fast, particularly in many developing countries."

According to economist Estelle James, leader of the report team, the proportion of the world's population over 60 years of age will nearly double over the next 35 years to 16 percent or 1.4 billion people. By that time, 80 percent of old people will live in what today are developing countries.

Extended families alone provide care for more than half the world's elderly, especially in the developing world. But those networks are buckling under the pressures of urbanization and increasing mobility. And the rising number of retirees is seriously overburdening many government pension systems—in rich and poor countries.

Such systems are poorly designed to meet the new challenges, the reports says. Besides being unable to pay pensions as promised, these systems often create an increasingly heavy tax burden that hurts economic growth. In Argentina, prior to recent reforms, more than half of the workers in the pension system evaded their contributions because high payroll taxes were not linked to benefits.

Many national plans are mismanaged. Zambia's public pension fund lost an average of 23 percent of its value a year in the 1980s. In same decade, the real value of public pensions in Venezuela fell 60 percent.

The costs are high in developed countries too. In Austria, Germany, Greece, Italy and Finland, about a third of the public budget goes to pensions. In Sweden, the United Kingdom and the United States, nearly a quarter of public spending goes to support the aged. As the number of workers for each retiree falls, governments will have increasing difficulty funding these systems.

To avert the crisis, the report calls for governments to diversify their approaches to old age security to include greater reliance on personal savings.

In general, countries should cut payroll taxes and retirement benefits to the rich and middle class and focus government pensions on the poor, the report says. Specifically, it recommends a combination of three separate mechanisms: a modified form of the traditional, publicly financed pension; mandatory personal savings plans; and voluntary savings plans to provide supplemental retirement income.

• Public pensions would resemble current systems in that they would be tax-funded and publicly managed. But they focus mainly on providing a social safety net for the poor elderly. Because of limited scope, taxes for such plans could be considerably reduced.

• Mandatory savings, supported by indi

See AGE, page 3

Turkey Health Project Targets Women and Children

TURKEY, *from page 1*

"Without proper care, benign problems can kill," says Alexander Preker, a senior health economist in the Bank's Central and Southern Europe region.

"Young children can die very quickly from dehydration if diarrhea is not properly treated," Preker says. "Everyone in Turkey should have access to first level care. It may be as simple as an antibiotic or straightforward counseling on nutrition or basic care, but it could be life saving."

The project will put in place the basic building blocks of primary health care in 23 poor Eastern provinces, home to 16 percent of Turkey's population. The training and facilities it provides will reduce avoidable deaths and disability. And women and children especially will benefit from its emphasis on basic maternal and child care.

The plan, designed in collaboration with the United Nation Children's Fund and the World Health Organization, builds on a previous health loan to Turkey. And it is one of the first projects to incorporate a national assessment on the burden of preventable diseases, as recommended by the Bank's *1993 World Development Report on Health*.

The project includes two specific components:

• **Primary Health Care**. It will improve care by improving the care givers. Better training for primary health care personnel will include curriculum development, in-service training, practice materials and training for trainers. It will bring UNICEF-inspired Safe Motherhood and Midwife Training Programs to the 23 provinces, along with other successful programs in child nutrition and growth, and respiratory infections. It will launch a public health education campaign and work with local non-governmental organizations to reach the most people. And it will supply hospitals and clinics with essential, basic equipment, including X-ray machines, incubators, blood analyzers and cold storage for vaccines. Four regional referral hospitals, and some health centers and laboratories will be renovated.

• **Health Policy and Management**. This part of the project will train staff involved in the key support areas of health care: policymaking, planning, management, monitoring and evaluation. It will help decentralize and restructure management in six pilot hospitals, and introduce management support systems in provincial health directorates. And a continuing education program will help upgrade staff and management skills in hospitals and health centers. □

Media Contact List

For Questions About...	Contact	Telephone*
General Institutional Issues	Tim Cullen, Chief Spokesman	473-1782
Debt, Trade, Economics,	Bill Brannigan	473-1784
	John Mitchell	473-2475
Major Broadcasting Organizations	Marie-Christine Bonzom	473-0697
Major Print News Organizations	Alan Drattell	473-1787
	Lesley Simmons	473-1785
	Merrell Tuck-Primdhal	473-9516
Environmentally Sustainable Development, Agriculture, Transportation, Water, and Urban Development	Leandro Coronel	473-1788
	Hugh Blackman	473-2441
Human Resources Development, Poverty and Operations Policy	John Mitchell	473-2475
	Ellen Tillier	473-1790
Finance, Private Sector Development, Industry and Energy	Eriko Ishikawa	473-1795
Africa	Eric Chinje	473-4467
East Asia and Pacific	Peter Stephens	458-0344
South Asia	Pastor Sison	458-1423
Europe and Central Asia	Jan Pakulski	473-1797
Latin America and the Caribbean	Ciro Gamarra	473-8721
	Antonio Pimenta-Neves	473-8722
Middle East and North Africa	Abdallah Bouhabib	473-4784
	Jeannie Yamine	473-2318
IFC	Mark Constantine	473-9331
	Jeanne Segal	473-0393

*All numbers are in area code 202 in the U.S.A.

AGE, *from page 2*

vidual contributions, would go into privately managed and competitively invested funds subject to public regulation. Benefits would depend directly on contributions, lessening evasion. Such funds would support retirees and contribute to economic growth. "Saving for old age makes good sense from an individual point of view, and it makes good sense from an economy-wide point of view," says James.

• Voluntary savings would offer extra retirement income for people with the means and inclination to save more, just as voluntary savings does today.

Australia, Argentina and Chile have already reformed their pension systems along these lines, and several other countries, particularly in Latin America and Eastern Europe, are considering following suit.□

STATISTICS

GNP Climbs In Most Poor Countries But Falls In Former Soviet Union

World Bank estimates of 1993 gross national product (GNP) per capita in 207 countries follow on the next two pages, the first to be available for last year. Below is a brief summary of the findings.

The new World Bank figures show that real per capita incomes in poor countries grew by 5 percent in 1993, led by China's rapid expansion in real terms. The 1993 increase continues the trend which has seen poor countries' incomes grow by an average of nearly 4 percent over 12 years.

But the figures, published in the *World Tables 1994 Fall Update*, also show that middle-income countries suffered a drop of about 2 percent in their per capital incomes in 1993, partly because of steep declines in several economies of the former Soviet Union.

Overall, average world earnings increased to $4,360 a year or about $12 a day in 1993. However, average annual earnings of $370 in poor countries, or $1 a day, remained well below the world average.□

For more information, journalists may contact Michael Hee at the Bank's Socio-Economic Data Division, International Economics Department, 1818 H St. N.W., Room S7-139, Washington, D.C. 20433. (202) 607-0581, tel., (202)477-0557, fax.

The data are available on disk in the Bank's *STARS* system. Journalists may obtain copies of the *World Tables 1994 Fall Update* by writing on company letterhead to Michael Hee, The World Bank, 1818 H St. N.W., Room S7-139, Washington, D.C. 20433, fax. (202) 477-0557.

READEX FICHE

GNP, Population Statistics: 1993

Country	Per Capita GNP (US$) 1992	1993	Population (thousands)
Afghanistan	—	—	22,143
Albania	—	340	3,421
Algeria	1,850	1,650	26,882
Angola	--	—	10,020
Antigua and Barbuda	6,100	6,390	67
Argentina	6,170	7,290	33,483
Armenia	870	660	3,731
Australia	17,730	17,510	17,707
Austria	22,790	23,120	7,937
Azerbaijan	880	730	7,435
Bahamas, The	11,670	11,500	266
Bahrain	—	—	544
Bangladesh	220	220	116,702
Barbados	6,210	6,240	260
Belarus	3,210	2,840	10,319
Belgium	21,360	—	10,061
Belize	2,380	2,440	205
Benin	410	420	5,194
Bermuda	—	—	62
Bhutan	180	—	1,532
Bolivia	680	710	7,703
Bosnia and Herzegovina	—	—	4,383
Botswana	2,450	2,590	1,402
Brazil	2,810	3,010	156,316
Brunei	—	—	281
Bulgaria	1,410	1,160	8,459
Burkina Faso	310	300	9,830
Burundi	210	180	5,974
Cambodia	—	—	9,633
Cameroon	830	770	12,611
Canada	21,070	20,670	27,815
Cape Verde	840	870	398
Central African Republic	410	390	3,249
Chad	220	200	6,131
Chile	2,780	3,070	13,813
China	480	490	1,175,359
Colombia	1,350	1,400	33,959
Comoros	530	520	528
Congo	1,110	920	2,508
Costa Rica	2,010	2,160	3,267
Cote d'Ivoire	680	630	13,358
Croatia	—	—	4,788
Cuba	—	—	10,896
Cyprus	10,110	—	726
Czech Republic	2,590	2,730	10,323
Denmark	26,310	26,510	5,191
Djibouti	—	780	574
Dominica	2,570	2,680	72
Dominican Republic	1,070	1,080	7,447
Ecuador	1,100	1,170	11,258
Egypt, Arab Republic of	650	660	55,745
El Salvador	1,200	1,320	5,479
Equatorial Guinea	340	360	447
Eritrea	—	—	3,393
Estonia	3,170	3,040	1,546
Ethiopia	110	100	53,297
Fiji	2,050	2,140	759
Finland	22,690	18,970	5,072
France	22,630	22,360	57,650
French Guiana	—	—	129
French Polynesia	—	—	213
Gabon	4,220	4,050	1,235
Gambia, The	370	360	1,019
Georgia	1,020	560	5,456
Germany	23,030	23,630	80,769
Ghana	460	430	16,261
Greece	7,390	7,390	10,376
Grenada	2,350	2,410	91
Guadeloupe	—	—	405
Guatemala	1,000	1,110	10,021
Guinea	520	520	6,269
Guinea-Bissau	220	220	1,043
Guyana	240	280	812
Haiti	—	—	6,839
Honduras	570	580	5,581
Hong Kong	15,710	17,860	5,865
Hungary	3,190	3,400	10,280
Iceland	24,300	23,620	264
India	310	290	900,543
Indonesia	680	730	187,151
Iran, Islamic Republic of	2,230	—	61,422
Iraq	—	—	19,755
Ireland	12,850	12,580	3,569
Israel	13,460	13,760	5,281
Italy	20,790	19,620	57,840
Jamaica	1,390	1,390	2,415
Japan	28,690	31,450	124,845
Jordan	1,130	1,190	4,102
Kazakhstan	1,880	1,540	17,169
Kenya	330	270	25,376
Kiribati	710	710	76
Korea, Democratic Rep. of	—	—	23,051
Korea, Republic of	7,220	7,670	44,056
Kuwait	—	—	1,461

Country	Per Capita GNP (US$) 1992	1993	Population (thousands)
Kyrgyz Republic	1,020	830	4,512
Lao PDR	260	290	4,511
Latvia	2,610	2,030	2,588
Lebanon	—	—	3,855
Lesotho	610	660	1,899
Liberia	—	—	2,373
Libya	—	—	5,039
Lithuania	1,710	1,310	3,747
Luxembourg	35,800	—	397
Macao	—	—	391
Macedonia	—	780	2,191
Madagascar	230	240	12,728
Malawi	230	220	9,303
Malaysia	2,830	3,160	19,032
Maldives	700	820	236
Mali	310	300	9,234
Malta	—	—	362
Martinique	—	—	369
Mauritania	540	510	2,137
Mauritius	2,800	2,980	1,111
Mexico	3,510	3,750	86,712
Micronesia	—	—	110
Moldova	1,450	1,180	4,356
Mongolia	—	400	2,372
Morocco	1,050	1,030	26,721
Mozambique	70	80	16,916
Myanmar	—	—	44,704
Namibia	1,670	1,660	1,565
Nepal	170	160	20,390
Netherlands	20,850	20,710	15,277
New Caledonia	—	—	177
New Zealand	12,660	12,900	3,462
Nicaragua	350	360	3,982
Niger	290	270	8,440
Nigeria	330	310	104,893
Norway	26,280	26,340	4,310
Oman	6,380	5,600	1,719
Pakistan	430	440	122,829
Panama	2,470	2,580	2,563
Papua New Guinea	990	1,120	4,148
Paraguay	1,410	1,500	4,651
Peru	1,290	1,490	22,801
Philippines	790	830	65,775
Poland	1,950	2,270	38,446
Portugal	7,510	7,890	9,848
Puerto Rico	6,700	7,020	3,608
Qatar	16,750	—	520
Reunion	—	—	620
Romania	1,170	1,090	22,761
Russian Federation	2,820	2,350	148,537
Rwanda	250	200	7,490
St. Kitts and Nevis	4,120	4,470	41
St. Lucia	2,900	3,040	158
St. Vincent	2,040	2,130	110
Sao Tome and Principe	420	350	125
Saudi Arabia	7,640	—	17,392
Senegal	780	730	8,054
Seychelles	5,750	6,370	70
Sierra Leone	160	140	4,468
Singapore	16,970	19,310	2,867
Slovak Rep.	2,050	1,900	5,345
Slovenia	—	6,310	1,993
Solomon Islands	720	750	346
Somalia	—	—	8,543
South Africa	2,710	2,900	40,677
Spain	14,230	13,650	39,125
Sri Lanka	560	600	17,622
Sudan	300	—	27,255
Suriname	1,280	1,210	405
Swaziland	1,100	1,050	888
Sweden	27,500	24,830	8,712
Switzerland	36,730	36,410	6,977
Syrian Arab Republic	—	—	13,394
Tajikistan	600	—	5,684
Tanzania	110	—	26,743
Thailand	1,840	2,040	58,824
Togo	400	330	4,026
Tonga	1,510	1,610	93
Trinidad and Tobago	3,990	3,730	1,282
Tunisia	1,760	1,780	8,609
Turkey	2,040	2,130	59,461
Turkmenistan	1,380	—	3,949
Uganda	170	190	18,026
Ukraine	2,360	1,910	52,141
United Arab Emirates	22,640	22,470	1,723
United Kingdom	18,110	17,970	58,040
United States	23,830	24,750	258,063
Uruguay	3,470	3,910	3,147
Uzbekistan	1,000	960	21,969
Vanuatu	1,230	1,230	161
Venezuela	2,920	2,840	20,780
Viet Nam	—	170	70,881
Western Samoa	960	980	163
Yemen, Republic of	—	—	13,436
Yugoslavia Fed. Rep.	—	—	10,675
Zaire	—	—	40,997
Zambia	370	370	8,527
Zimbabwe	580	540	10,638

Annual Meetings Tentative Schedule of Events*

Thursday, September 29

9 a.m.	PRESS CONFERENCE
10:45 a.m.	50 Years After Bretton Woods: The Future of the IMF and World Bank

Friday, September 30

10 a.m.	50 Years After Bretton Woods: The Future of the IMF and World Bank

Saturday, October 1

9:30 a.m.	Group of 24 Ministers
11 a.m.	GENERAL PRESS CONFERENCE: Lewis T. Preston, President, World Bank
Noon	Seminar: *World Development Report 1994: Infrastructure and Development*
1 p.m.	IFC Seminar: Promoting Infrastructure Development; The World Bank Approach
T.B.A.	PRESS CONFERENCE: Group of 10 Ministers

Sunday, October 2

8 a.m.	Group of 10 Ministers
9:45 a.m.	PRESS BRIEFING: Regional Issues: Middle East-North Africa; Caio Koch-Weser, Regional Vice-President, World Bank
10 a.m.	Interim Committee Meeting
12:15 p.m.	Seminar: Transition to Market Economy
4 p.m.	IFC Press Briefing: Russia
T.B.A.	PRESS CONFERENCE: Chairman, Interim Committee Managing Director, IMF

Monday, October 3

9 a.m.	IFC Press Conference: Outlook for Private Sector Development and IFC
9:30 a.m.	Development Committee
Noon	Seminar: Averting the Old Age Crisis
5 p.m.	Seminar: Economy-wide Policies and the Environment
T.B.A.	PRESS CONFERENCE: Chairman, Development Committee President, World Bank Managing Director, IMF

Tuesday, October 4

10:30 a.m.	Opening Ceremonies
3:30 p.m.	Annual Discussions

Wednesday, October 5

9 a.m.	IFC Press Briefing: South Africa and Sub-Saharan Africa
10 a.m.	Annual Discussions
3:30 p.m.	Annual Discussions

Thursday, October 6

7 a.m.	PRESS BREAKFAST
8 a.m.	PRESS CONFERENCE: Lewis Preston, President, World Bank
10 a.m.	Annual Discussions
11 a.m. (tent.)	Closing Ceremonies

* Most of these events will take place at Campo de Las Naciones, Madrid.

Development Agenda

Date	Event	Sponsor	Location	Telephone
SEPTEMBER				
29-30	Bretton Woods Conference	World Bank/International Monetary Fund	Madrid	(202)473-1784*
OCTOBER				
1	Group of 24	World Bank/IMF	Madrid	(202)-473-1784*
2	Interim Committee	IMF	Madrid	(202)473-1784*
3	Development Committee	World Bank/IMF	Madrid	(202)473-1784*
4-6	Annual Meetings of the Board of Governors	World Bank	Madrid	(202)473-1784*
24-26	International Conference on Environmental Issues in Minerals and Energy Industry	Mining Engineers' Association of India	New Delhi	(91) 674 51224
24-27	Second International Conference on Carbon Dioxide Removal	Research Institute of Innovative Technology for the Earth	Kyoto, Japan	(81)6 376 2963
24-28	International Centers Week: Consultative Group on International Agricultural Research (CGIAR)	CGIAR	Washington	(202)473-8913*
24-28	Special Program for Africa Donors' Meeting	World Bank	Paris	(33-1)4069-3016
NOVEMBER				
2-4	Bolivia Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
6-11	Third International Congress on Energy, Environment and Technological Innovation	Central University of Venezuela/ University of Rome "La Sapienza"	Caracas, Venezuela	(58-2)693-1103
15-16	Viet Nam Donors' Meeting	World Bank	Par's	(33-1)4069-3016
16-23	Fifth African Regional Conference on Women	United Nations	Dakar, Senegal	(251)1-51-1263

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

Weekly Lending Roundup

Thailand Three loans to Thailand approved this week will help the country's gas and electric transmission systems and improve land titling procedures.

- A $50 million loan will expand Thailand's electricity distribution in the north and northeastern regions, and add new consumer connections in unserved and underserved villages throughout the country. Another component will prepare the Provincial Electric Authority for possible privatization.
- A $155 million loan will promote greater use of Thailand's domestic natural gas resources. The project will help streamline and corporatize the Petroleum Authority, heighten environmental and safety standards and build a gas pipeline.
- A $118 million loan will help Thailand continue itsreform of land titling and registration systems. The loan builds on previous projects that have begun to clear a major backlog of title deeds. Lack of a deed—which can be used as collateral—denies millions of farmers access to credit.

Indonesia Indonesia plans to modernize accounting practices in both government and the private sector. To enhance the credibility and usefulness of financial information, a $25 million loan will help the country implement internationally accepted accounting standards, enforce them and improve training and certification of accountants.

Bulgaria A $125 million loan to Bulgaria will reimburse the government for some of the upfront costs of its recent debt and debt service reduction agreement with commercial creditors. The loan is part of a joint effort with the IMF to partially replenish Bulgaria's international reserves to a level more appropriate for a small, open economy.

Independent Inspection Panel Opens Office

The World Bank's new independent Inspection Panel opened its office this month in Washington, D.C. The Panel was established to investigate complaints from parties who believe Bank-financed projects may materially harm their rights and interests because the Bank has not followed its own policies and procedures.

The Panel has three members appointed by the Bank's executive directors on the basis of their professional qualifications and independence from Bank operations, and their experience in the development field. Eduardo G. Abbott, a lawyer, has been appointed to serve as the Panel's executive secretary.

A Request for Inspection can be filed by groups after they have already tried to resolve their concerns with the Bank. Requests must be sent by registered mail or certified mail or delivered by hand to: The Office of The Inspection Panel, 1818 H St. N.W., Washington, D.C. 20433, or delivered to the Bank's resident representative in the country where the project is located.

People or groups seeking advice on how to prepare and submit a request for inspection are invited to contact the Panel, which will provide information or may meet and discuss the requirements with potential requestors.

WORLD BANK NEWS

Michael Prest, Editor
Cynthia Delgadillo, Production Assistant
Steve Hendrix, Reporter

World Bank News is published in English, French and German by the World Bank's External Affairs Department, Washington, D.C. 20433, U.S.A. Maps appearing in World Bank News are for the convenience of readers. The denominations used and the boundaries shown do not imply any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries. (ISSN 0254 6353) Telephone: (202) 473-9661.

The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.

WORLD BANK NEWS

Volume XIII, No. 37 October 6, 1994

ANNUAL MEETINGS 1994

World Bank Conferences Convene In Madrid

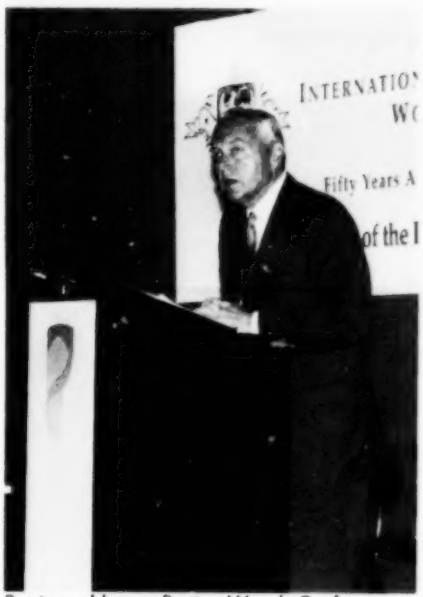
Pre-Meetings Conference Looks at Bank's Future

A Madrid conference marking the World Bank's 50th anniversary heard wide support for the institution's contribution to development over half a century as well as calls for change to make development more effective in the future.

The two-day gathering, "Fifty Years After Bretton Woods: The Future of the IMF and the World Bank," was held on the eve of the Annual Meetings of the Bank and Fund in the Spanish capital. It drew a large audience, ranging from finance ministers to former heads of state to academics and bankers.

While praising the Bank's record, most said the Bank needed to continue to change with the times. Some called on the Bank to help boost private sector activity, tailor projects more closely to each country's circumstances, or improve cooperation with other development actors.

Others, including Saifur Rahman, chairman of the Board of Governors of the Bank and minister of finance of Bangladesh, asked the Bank to focus more on tackling poverty.



World Bank

Preston addresses Bretton Woods Conference.

"Despite dramatic improvements in living standards throughout much of the world over the last 50 years, poverty continues to dominate the lives of more than a

See **BRETTON WOODS**, *page 2*

Preston Pledges Change And Committment To Poverty Reduction

The World Bank Group must be a flexible, cost-conscious and efficient, and learning set of institutions if it is to continue effectively to serve its members in a rapidly changing world, Bank president Lewis Preston told the Bank's governors in Madrid.

Delivering his Annual Meetings speech October 4, Preston said: "Embracing change—and harnessing it for development—is the greatest challenge facing us all today."

Progress in improving the human condition had been faster over the last 50 years than at any time in history. "We can look back with pride on the success of the development effort—and the role of the Bretton Woods institutions in that effort," Preston said.

The developing countries' role in the global economic has been transformed. In the first three years of the 1990s they ac-

See **PRESTON**, *page 4*

Speech excerpts, communiques and other news from Madrid continue inside. 5

A recent Bank conference on the Middle East highlighted the regions opportunities for recovery. 6

Bank vows to reply to critics. 10

A new on-line information service from the Multilateral Investment Guarantee Agency will ease foreign direct investing. 12

Development agenda, page 11

Consultative group, page 12

Conference Stress Bank Flexibility

BRETTON WOODS, *from page 1*

billion people," said Rahman. "Accordingly, strategies to address poverty should have a central place in plans for the future of the Bretton Woods institutions."

Bank President Lewis Preston, in his opening remarks before the packed conference hall, set the tone for the meeting by admitting mistakes but stressing the Bank's record of continuing change.

"The development effort has been a success," said Preston. "But it could have been even more effective had we known at the outset what we know today."

"Yes, the Bank Group has been flexible in the past," he added. "But given the rapidly changing global environment and the increasing diversity of our membership, we must be even more flexible in the future."

Flexibility was on the minds of many of the 34 speakers who took the podium at the conference. Some suggested that the Bank must be more adaptable in the future to keep pace with a rapidly changing global economy.

"Institutions must necessarily adapt to changing circumstances and the Bretton Woods institutions are no exception to this rule," said Manmohan Singh, minister of finance of India.

Singh said the Bank and the IMF face a slew of challenges in coming years, including tackling high unemployment and assisting in environmentally sound development. The Bank also needs to keep the world trade system accessible to developing countries.

But Singh cautioned that the tasks ahead should not prevent the Bank from continuing to assist the poorest countries in the developing world though IDA. The need for IDA assistance is "self-evident," but the actual amount provided is "modest compared to the enormous need."

The role of the Bank as a source of capital has been questioned in some circles on the grounds that private capital flows now amply meet the needs of developing countries," said Singh. "We must recognize however that the overwhelming bulk of private flows to the developing world are concentrated in about a score of countries."

World Bank/IMF

The original Bretton Woods Conference.

Since it was founded in Bretton Woods 50 years ago, the World Bank has changed along with the evolving nature of economic development, Pedro Solbes Mira, Spain's minister of economy and finance, told the conference.

With time, the Bank has "modified" its thinking and launched "major institutional reforms," said Solbes. More attention to the environment and the private sector are examples, as well as the founding of the Multilateral Investment Guarantee Agency (MIGA).

But despite those efforts, Solbes said a "review" is needed of "multilateral institutions as a group, whose design should never be accepted as fixed in a changing world."

Striking a similar tone, Gerald Helleiner, professor of economics at the University of Toronto, called for an "overall review" of the system of international economic governance. The current system, he said, is "unrepresentative and accident-prone."

"It is time, after 50 years, for a major intergovernmental review of the Bretton Woods institutions in the context of the overall need for global economic governance," said Helleiner. Not all speakers called for sweeping reviews. Many asked that the Bank continue its current work but do it in a more sensitive way, making sure to tailor programs and projects to the specific needs of individual countries.

Kwesi Botchwey, Ghana's minister of finance, said the Bank must allow developing countries to define their own "home grown" reform and adjustment programs.

"What does ownership mean exactly? It must mean above all else that the authori-

See BRETTON WOODS, *page 3*

BRETTON WOODS, *from previous page*

ties agree with and see the program objectives as being fully consistent with their goals, as something that they need to do on their own, not as some imposition they must accept because they need the money and have no other choice," said Botchwey.

The principle of client-orientation recently proposed by the Bank is a positive step, said Liu Zhongli, China's minister of finance. Recognizing that each country is different is important.

"It is our consistent view that national situations...vary from country to country and that there is no such thing as a universally applicable reform model. China's reform program has to fit into the actual situations of the country and the principle governing the implementation is to follow whatever is sound and feasible," said Zhongli.

Better Cooperation

While tailoring its work, the Bank should also expand its relations with the rising number of actors on the development scene, several speakers told the conference.

A.W. "Tom" Clausen, former World Bank president, suggested the institution cooperate more with the private sector, non-governmental organizations (NGOs) and other development banks such as the Inter-American Development Bank and the African Development Bank.

The World Bank, said Clausen, should follow the advice of the July Bretton Woods Commission report which offered ways that the institution could "adapt to a world that has turned from public sector dominance toward private enterprise and free markets."

"The report does send a clear call for the World Bank and the IMF to develop even stronger ties of cooperation in dealing with the new economic and political realities," he told the conference.

NGOs, especially, can help the Bank improve reform efforts in developing countries to focus more on the poor, added Fazle Hasan Abed, executive director of the Bangladesh Rural Advancement Committee.

"We believe that an authentic reform must direct resources to the rural areas, empower the poor, and democratize the purchasing power," said Abed. "If that be so, NGOs can be effective partners in this task if only because the successful among them have, over the years, developed mechanisms to reach the poorer sections of the community."

Useful Ideas

In his closing remarks at the end of the two-day conference, Preston praised the many "useful ideas" put on the table at the meetings.

The Bank is determined to continue changing "what it does and the way it does it," Preston re-emphasized. Also, the Bank will keep trying to be more accountable, open and cost-effective. But Preston added a note of caution.

Earlier, Minister Singh had warned against the Bank becoming sidetracked from its core development work by doing too many things at the same time.

"There has been a tendency among industrialized country shareholders to introduce new objectives under pressure of one or other domestic political constituency," Singh advised.

"Many of these concerns are in themselves unobjectionable, and respond to important and legitimate interests and concerns. But when directly introduced to influence the Bank's lending their impact on development in the recipient countries is far from certain or beneficial."

Preston said the Bank will become a more "agile, responsive, leaner institution." □

The Bank Is An Open Institution

Following are excerpts from remarks by Bank President Lewis Preston at the conclusion of the Bretton Woods Conference.

As we make an increased effort to be even more cost effective, it is important to recognize that the Bank cannot be all things to all people. It will need to be increasingly selective in the things it does; and seek partnerships with others. This will not only reduce some of the burden on the Bank, but also help to maximize everyone's different strengths.

I am all too aware of the danger that Dr. Manmohan Singh alluded to of the risks of a diffused pattern of lending that can result from the pursuit of too many objectives. This is precisely why selectivity is the first of our guiding principles. But for it to be applied effectively, we will need the support of our shareholders. And on this point, let me just echo what Moises Naim and others have said about the need for our shareholders not to be "absentee landlords." It is in the institution's interest for our shareholders to play an active role in helping to shape our future direction.

...Recent changes, such as enhanced access to information, increased interaction with NGOs, the emphasis on participation, and the establishment of an inspection panel, will help to increase openness and broaden the Bank's outreach efforts. Openness permits outside scrutiny of our policies and operations—and thus helps to strengthen accountability and performance. Given our new policies, I think it is fair to say that the Bank is among the most—if not the most—open development institution in the world (including non-governmental institutions).

"The Unfinished Development Agenda Is Large"

PRESTON, *from page 1*

counted for 70 percent of global GDP growth and half of the growth of world trade. A quarter of industrial country exports and 15 million jobs depend on trade with developing countries.

Technological change, a revolution in the private sector's role in development, the spread of democracy and participation, rising education levels, and improving capacities of development institutions—including NGOs—have created this changing development context, Preston told his audience.

But, he reminded them, "over a billion people still live in absolute poverty." Development assistance needed to increase, and donors should strongly support IDA, "which is the linchpin of the international effort to reduce poverty."

This changing development context does not alter the Bank's objective of "helping our borrowers to reduce poverty and improve living standards through sustainable growth and investments in people." But meeting that objective involves increasing demands—membership has risen from 155 to 178 countries in the last three years—and greater complexity as the Bank is called on to help with issues ranging from privatization to fighting hunger and disease in Sub-Saharan Africa.

Preston said that two main assets help the Bank to address this diversity: finance, by investing the Bank's money and mobilizing other resources; and advice. Applying these assets will vary. While in middle-income countries generally "our money will become less important than our advice," Bank financing will remain vital in areas such as the environment and education.

Moreover, in many other countries the "unfinished development agenda is large," Preston said. The Bank brings to this agenda a long-term relationship with virtually every developing country and a committed staff.

"But again, the changing context in which we work means that we have to change to remain effective," Preston added. He outlined six principles guiding that change:

- **Greater Selectivity**. "We neither should—nor be expected to—deal with every aspect of development everywhere. A more sensible sharing of tasks within the international system is required."
- **Increased collaboration** with all the Bank's partners, from the private sector to NGOs.
- **Deepening client relationships**. "country ownership—of policies and projects—is crucial to their success," lending has changed in response to clients' needs, for example in education, the environment and the private sector.
- **Measuring success by results**. "An 'implementation culture' is emerging," Preston said.
- **Cost-effectiveness**.
- **Excellent financial management**.

Preston said that changes underway reinforced the application of these principles. The Bank was becoming more open, improving its mix of staff skills, and striving to be more responsive to countries' needs, for example by expanding the use of guarantee powers and exploring the possibility of a micro-enterprise fund to reach the poorest of the poor. □

World Bank

Preston: "An implementation culture is emerging."

Bank Must Tackle The "Expectations Gap"

Popular expectations running ahead of economic reality could pose a new challenge for the World Bank, former Bank President A.W. "Tom" Clausen told the Bretton Woods conference in Madrid.

Warning of a widening "expectations gap," Clausen said that when communism collapsed and the Cold War ended, many people living in Eastern Europe and the former Soviet Union let their expectations soar to "unrealistic" levels.

"They believed, and the Free World probably played a role in that soaring expectation, that with elections and free-market economies, they would rather quickly and perhaps almost automatically enjoy the benefits that the nations of western Europe, North America and Asia have spent generations developing and nurturing."

Clausen said the Bank may have to to do more than it has before in those countries. Perhaps, the Bank would need to assume new roles of education and communication.

"We may have to consider looking beyond pure economic and financial issues to help nations find their way through the political wilderness created when one tries to establish wholly new market-based economies," said Clausen. "Much as we would like to separate finance and economics from politics, economic development must go hand in hand with political and social development."

Clausen cautioned that he wasn't suggesting that the World Bank begin imposing political models on developing countries. Instead, the Bank should help pointing out such successful economic models such as Chile, Mexico, China and Korea.

"The World Bank and the IMF can play an important educational and informational role in causing countries' expectations to be more realistic. These institutions have both the experience and the access to help local government officials, entrepreneurs, and consumers to understand the realities of the difficult changes they are living through, and help bring expectations more closely in line with realities.

"The expectations gap," he said, "has led to disappointment and to disillusionment for millions of people. What is of greater concern, the disillusionment suffered could put some countries in jeopardy of a nostalgia for those good old days of the managed economy, where one's most basic needs were attended to automatically. A relapse to repressive forms of government and governments who have policies that are not conducive to economic growth would be tragic indeed." □

A Bank Born Of "Miracles"

Mr. Clausen was introduced at the conference by Richard N. Gardner, United States Ambassador to Spain. In his remarks, entitled A Tale of Three Miracles, Gardner described the opposition to the founding of the Bretton Woods institutions and the "political miracles" which enabled the World Bank and the International Monetary Fund to take root and flourish. Below are extracts from his speech:

It is worth recalling that the Bretton Woods institutions were created in the face of powerful opposition in the United States and Great Britain, the two leading countries in the work of post-war reconstruction.

On the British side, there was profound skepticism throughout the establishment that a system based on open multilateral trade would be in Britain's interests. The Federation of British Industries and the London Chamber of Commerce were hostile. Many felt that the wave of the future was barter trade, managed markets, discriminatory arrangements, currency controls. Many believed that the United States was destined to go to into a deep depression after the war, dragging Britain into the abyss and destroying Britain's postwar commitments to the welfare state and full employment.

Those two pillars of establishment opinion in Britain, *The Economist* and *The Times*, looked at postwar planning with deep misgiving. As *The Times* put it: "We must...reconcile ourselves once and for all to the view that the days of laissez-faire and the unlimited division of labor are over; that every country—including Great Britain—plans and organizes its production in the light of social and military needs; and that the regulation of this production by such 'trade barriers' as tariffs, quotas, and subsidies is a necessary and integral part of this policy."

The postwar economic plans had no smoother reception on the American side. *The Wall Street Journal* called the Keynes plan "a machine for the regimentation of the world." *The New York Times* considered the Bretton Woods proposals unnecessary—it favored going back to the gold standard, which it considered "the most satisfactory international standard that has ever been devised." The Guaranty Trust Company, progenitor of Morgan Guaranty, called both the British and American plans for Bretton Woods "dangerous" on the grounds that they would "enable nations to buy merchandise without being able to pay for it." A senator from Utah rose in indignation on the floor of the Senate, brandished a fistful of foreign currencies, and defied any one of his colleagues to "go downtown in Washing-

See GARDNER, *page 9*

Economic Opportunity Dawns In Middle East

Sylvia Johnson

MENA director Ram Chopra.

The most salient problems of the Middle East and North Africa may seem political, but the region's future also hinges on how it addresses crucial economic and social development issues, according to participants in a September 22-23, conference organized by the Center for Strategic and International Studies (CSIS) and the World Bank's Middle East and North Africa (MENA) Regional Vice Presidency. The conference brought together about 100 policy professionals from the two institutions, as well as Washington scholars, diplomats, and non-governmental organization (NGO) representatives.

"Given that this is a period of enormous change for the Middle East, we wanted to call together a group of smart people to talk about what's going on economically," said Peter Rodman, director of Middle East studies at CSIS and conference co-organizer. The conference's aim, explained MNAVP Adviser and co-organizer Abdallah Bouhabib, "was to inform the Washington Middle East and North Africa policy constituency of the economic issues facing the region and the Bank's activities and work there."

The economic challenges facing the region are not minor, although Managing Director Attila Karaosmanoglu, who introduced a panel discussion on the topic, said several Arab states had made great strides in tackling them. Jordan, Morocco, Tunisia, he noted, were just three examples.

Ram Chopra, the Bank's Middle East director, outlined three of the challenges facing the region. They include realizing the "peace dividend," as countries decrease military spending from the current average of 10% of GDP; natural resource management, particularly of water, which presents a "stark, severe crisis," and building intra-regional trade which is at 6 percent of total trade as compared to the European Union's average of 60 percent. Increasing private foreign investment, putting more emphasis on secondary education and schooling for girls, and increasing their orientation to the outside world were additional challenges outlined by MENA Chief Economist John Page.

In his remarks, Competitiveness Policy Council Director Howard Rosen applauded the Bank's initiative in promoting the public debate on some of the region's economic problems. He added "the Bank and others' efforts to encourage regional cooperation should be stepped up."

Lebanon's Ambassador Riad Tabbarah cautioned that low intra-regional trade was not necessarily indicative of little cooperation, and that private investment was not a panacea for the region's problems. "Private investment is not the answer to eliminating illiteracy or helping disabled persons," he said.

The role of the private sector, however, was again the focus of discussion in a subsequent conference session chaired by USAID Assistant Administrator for the Near East Margaret Carpenter. Andre Hovaguimian, director at the International Finance Corporation, highlighted the need for increasing capitalization of the region's embryonic stock markets,

See top of next page

Regional rebirth.

from previous page

noting that only eight of the 18 MENA states have capital markets.

Bank General Counsel and Vice President Ibrahim Shihata underlined the importance of legal reform in strengthening the role of the private sector, given the current patchwork of Western post-colonial and Islamic Law. The judiciary, and laws governing taxes, real property and land titles, privatization, and competition and regulation were all identified as areas of reform.

"There also needs to be political stability, not based on repression, where leaders are respected by the people and growth is shared," added panelist and chairman of the Jordan's Dar Al-Handasah consulting firm Kamal Shai'r.

Former Moroccan Minister of External Trade and current Ambassador to Saudi Arabia Hassan Abouyoub underlined the tremendous support provided by the World Bank to his country throughout the Kingdom's successful implementation of an economic reform program. He called on the Bank, during the conference's last session, to define its future vision and tailor its programs to the individual needs of the countries in the region.

Former Bank Executive Director Fawzi Sultan, now president of the International Fund for Agricultural Development, covered some of the problems of the MENA states. He cited environmental degradation, a decline in food self-sufficiency, urbanization, the marginalization of farmers, and the limited role of women as examples.

"We are moving from bricks and mortars to a non-lending bank," MENA Vice President Caio Koch-Weser said in his response, adding that technical assistance, partnerships with NGOs and greater selectivity will be hallmarks of how the Bank operates in the future. "Already the Bank has shown it is capable of moving quickly in the face of rapidly changing global events and applying innovative approaches to delicate situations as our role in tackling the development needs of the West Bank and Gaza demonstrates." □

SPEECHES

Cooperation Is Key To Middle East Recovery

With the peace process underway, the Middle East faces a historic chance to get economic development moving for the long-troubled region, said Caio Koch-Weser, World Bank vice president for the Middle East and North Africa, in Madrid this week.

Caio Koch-Weser

The many countries of the Middle East can now move from "conflict to cooperation" by cementing the peace, Koch-Weser told reporters at a press conference before the start of the Bank's annual meetings.

"The peace dividend will not be so much aid or debt forgiveness, although those are important," he said. "The real peace dividend is the opportunity that political stability creates for better economic policies, better policy coordination, for a influx of private capital and for regional cooperation in infrastructure and other areas."

Koch-Weser cautioned against "excessive optimism" for rapid economic development because the political agenda is unfinished. Also, before the region can realize the economic gains from the peace process, each Middle Eastern country must launch sound domestic reform programs, he said. Each must be based on economic stabilization, trade policy reform, privatization, human resource development and natural resource management.

But there is room for hope, Koch-Weser said. Already, the Bank is at work in the West Bank and Gaza, Lebanon and Jordan. The Bank is also ready to help Syria make a smooth transition to a market economy, he said.

The real peace dividend is the opportunity that political stability creates for better economic policies, better policy coordination, for a influx of private capital.

— C. Koch-Weser

Aside from domestic reform, the Middle East must focus on regional cooperation and create sound regional projects, Koch-Weser stressed. The countries must overcome obstacles to regional development, including the lack of funds. They need to develop both regional and national technical institutions to promote sound economic policies and private investment.

"In some sense, the real challenge now is to form a region in policy debate, policy coordination and policy representation," he said. Because of easing tensions, the "time may now be right" for regional projects.

Already, the Bank is examining the Jordan Rift Valley in order to submit proposals for a future regional agenda. The Bank also stands ready to include Jordan, the Palestinian Authority, Israel, Lebanon and Syria in a regional plan. And the Bank is helping prepare studies for the multilateral groups on economic cooperation, environment and water. □

Better Policies Attract Private Investment From Developing And Industrialized Countries

The joint World Bank-International Monetary Fund Development Committee meeting in Madrid this week urged lagging developing countries to shape better policies to attract rising private investment flows.

Founded in 1974, the Development Committee comprises 24 members, who advise the Bank and IMF on questions of resource transfer to developing countries.

Many developing countries which have put economic reforms in place have attracted rising amounts of investment in recent years, the group said in a statement after meeting shortly before the Bank's Annual Meetings. But it pointed out that most of that surge has been aimed at only a handful of countries.

Those countries so far left out of the flows should improve their creditworthiness by pursuing macroeconomic reform and crafting a more "favorable" investment climate, the committee said in a statement.

Donor countries also need to do more by boosting the "slow" rate of growth in official development assistance, the group said. Donors can help by enhancing their aid as soon as possible, especially focusing the assistance on the poorest countries.

The effectiveness of aid must improve, the committee said. Receiving countries, international organizations and donors all need to cooperate better. But "prime responsibility" rests with recipient countries whose domestic policies can make aid more effective.

The committee also praised the Uruguay Round negotiations, saying the pact will bring "significant benefits" to developing countries. But some countries, it cautioned, may need help in adjusting to higher world food prices despite gaining from reduced agricultural subsidies.□

World Bank

IMF Chairman Michel Camdessus with Bank President Lewis Preston.

G-24 Seeks Role For Developing Countries

Ministers of the Group of 24, meeting in Madrid this week, said developing countries should play a part in a planned review of World Bank and IMF functions to be carried out by industrial countries. The review, announced at a July meeting of the Group of Seven industrial countries, is meant to help map the future role of the Bretton Woods institutions in the changing international economic environment.

"Ministers emphasized that such an evaluation should adequately involve the developing countries in order to carry legitimacy, ensure a broad sense of ownership, and be effective," according to the group's communiqué.

Reviewers of the Bank Group should consider "the possibilities for enhancing the effective participation of developing countries in the decision-making process within the Bretton Woods institution," the release said.

The Group, which includes finance ministers from 24 developing member countries of the Bank and the IMF, also called for more high-level training of country officials charged with carrying out economic adjustment and reform programs.

G-10 Examines Financial Markets

The rising use of more financial products has helped to make financial markets more efficient and less risky, the Group of Ten said in a statement this week in Madrid before the World Bank's Annual Meetings.

But the wider range of products may also add to the "sizeable, sudden and simultaneous" movements in bond and other financial asset prices that have rocked financial markets in 1994, the communique said.

Still, the G-10 said it was satisfied that the financial markets had proved "resilient" in the face of the rapid movements during the year. The group added that countries can become more financially stable if they pursue macroeconomic policies aimed at ensuring maximum sustainable growth, with stable prices and appropriate levels of debt.

The group of ministers also welcomed efforts to better understand implications of market changes. They especially pointed to attempts to become more aware of risks of using new or highly leveraged financial products.

The G-10, founded in 1962, consists of the finance ministers and central bank governors of the 10 leading industrialized countries.□

ROUND TABLE

Socratic Seminar Strives To Save "Solaria"

What would you do?

What would you do if you were the newly elected president of Solaria, a mythical bankrupt country, suffering from horrible terms of trade, years of neglect and barely getting along on an average income of $270?

That was the question a World Bank "Socratic Seminar" dubbed "Banking on the Future" asked of a diverse panel of development experts before television cameras in Madrid this week. The seminar, taped shortly before the Bank's Annual Meetings, is the third the Bank has sponsored this year.

The freewheeling dialogue aimed to examine development issues frankly in an open manner, said Matt McHugh, Counselor to the President of the World Bank.

"We have to deepen public understanding of the development process and the decisions that go into that process in a world that never stands still. The Socratic dialogue is a way to use the power of television and video to get this information to a wider audience," said McHugh.

The seminar is based on the popular socratic dialogue series broadcast on the Public Broadcasting System in the United States. Arthur Miller of the Harvard University School of Law, a moderator and adviser to the series, moderated the Bank seminar.

Participants in the seminar included outside experts from developing and industrial countries and Bank staff. □

Ismail Serageldin questions Socratic panel.

Bank Bridges Worlds Of Finance and Government

GARDNER, *from page 5*

ton and get his shoes shined with this whole bunch of bills."

It is in the light of such attitudes in the two countries that the creation of the postwar institutions deserves to be called a "political miracle." The "miracle" was only possible because it was accomplished at the end of a war, when public opinion could be mobilized in the hopeful enterprise of building a better world, and because both countries were led by men of great vision, surrounded by dedicated internationalists of outstanding ability. Today, when many people despair of undertaking necessary initiatives because of what they see as implacable political realities, it is worth recalling how the founding fathers were able to enlarge and reshape those realities fifty years ago.

There is another political miracle which may be of interest today. We now take for granted that the world's preeminent institution for economic development in terms of the size of its resources and the weight of its influence in the International Bank for Reconstruction and Development. Yet in the early planning for the postwar economy the Bank came almost as an afterthought. Virtually all the attention of the British and American governments was focussed on the International Monetary Fund. There was simply no conception of the vast needs of the less developed countries and of the role the Bank should play in meeting them.

Indeed, the Bank was conceived mainly as an institution for reconstruction. Incredible as it seems today, the word "development" did not even appear in Harry White's first draft circulated within the U.S. Treasury Department. So another "political miracle" has been the extraordinary evolution of the World Bank's development policies, assisted by the creation of its two key affiliates, the International Development Association and the International Finance Corporation.

I close with a brief word about a third "political miracle." I refer to the mutual learning process that enabled the two key actors in the world economic drama—national governments and the private banking community—to overcome their mutual hostility and work together in support of economic development in the developing world. Recall that U.S. Secretary of the Treasury Henry Morgenthau told the assembled delegates at Bretton Woods that one of their major purposes was, in his words, "to drive the usurious moneylenders from the temple of international finance."

I wonder what Morgenthau would say today, when the "usurious money lenders" are providing two-thirds of the capital flows to less developed countries (a sum of $113 billion of private capital in 1993). □

Bank Vows To Engage Inaccurate Critics

World Bank officials struck back at critics this week in Madrid, describing two reports recently issued by non-governmental organizations (NGOs) as "unfair and inaccurate."

An Oxfam report on Latin America and a Greenpeace study on ozone, released this week before the World Bank's Annual Meetings, misrepresent the institution's efforts, said Mark Malloch Brown, the Bank's director of External Affairs.

"We expect NGO's to show the same respect for the facts that the World Bank is forced to show," Malloch Brown told a gathering of reporters at an impromptu press conference in Madrid. "If NGOs want to sit with us at the table and be our partners in debating and shaping policy, if they want the power of that role, then they have to show a similar responsibility with the facts."

Two Bank officials, Sebastian Edwards, chief economist for Latin America and the Caribbean, and Andrew Steer, director of the Environment Department, pointed to specific inaccuracies in the reports.

For example, the Oxfam report claims that the Bank's adjustment programs were responsible for the dramatic decline in wages and employment opportunities in the 1980s. In fact, the Bank said, wages and employment dropped steeply in the 1980s because of deep economic crisis, not because of Bank adjustment programs. Most Bank-supported adjustment programs were not put in place before 1989.

Greenpeace alleged that the Bank is "slowing the process" of chlorofluorocarbons (CFCs) phase-out. Andrew Steer, director of the Bank's Environment Department said: "The Greenpeace document is plain wrong." The Bank is working to promote phasing out CFCs, Steer added. CFCs deplete atmospheric ozone.

Although the Bank respects NGOs as partners and eagerly worked with them on half of its projects in fiscal 1994, Malloch Brown said some NGO criticism of the Bank crosses the line of fairness.

The response to the two NGO reports marks a new approach the Bank intends to use against unfair criticism, he said.

"The World Bank is willing to stand up and debate," Malloch Brown said. "When we think that what someone is saying is wrong, we are not just going to pass by on the other side of the street anymore. We are going to come and engage them." □

World Bank Outlines Broader Participation In Projects

The World Bank will encourage the participation of a much wider range of groups and organizations in Bank-supported projects, in order to improve and sustain its development efforts, said a new Bank report released in Madrid on Tuesday.

"Participatory approaches will improve the quality of our operations," said Armeane Choksi, the Bank's vice president for Human Resources Development and Operations Policy. "What we need to do is ensure that these are more broadly and carefully applied acrsos the regions."

The new report, *The World Bank and Participation*, said there is significant evidence that participation improves the quality, effectiveness and sustainability of projects.

More participation strengthens ownership and commitment of both government and "stakeholders," or those affected directly or indirectly by a proposed Bank-supported policy or project, it said. Participatory development is a process through which stakeholders influence and share control over development initiatives and the decisions which affect them.

Journalists can obtain free copies of The World Bank and Participation *by writing to the World Bank, room S-13-119, 1750 Pennsylvania Ave., Washington, D.C., N.W., 20433.* □

Yosef Hadar/World Bank

Participation involves people.

Development Agenda

Date	Event	Sponsor	Location	Telephone
OCTOBER				
7-9	International Symposium on Social Development	Gov't of China/UNDP	Beijing, China	(202)473-1825*
12-18	Asian and Pacific Ministerial Conference in Preparation for the World Summit for Social Development	UNDP	Manila	(202)473-1825*
24-26	International Conference on Environmental Issues in Minerals and Energy Industry	Mining Engineers' Association of India	New Delhi	(91) 674 51224
24-27	Second International Conference on Carbon Dioxide Removal	Research Institute of Innovative Technology for the Earth	Kyoto, Japan	(81)6 376 2963
24-28	International Centers Week: Consultative Group on International AgriculturalResearch (CGIAR)	CGIAR	Washington	(202)473-8913*
24-28	Special Program on Africa Donors' Meeting	World Bank	Paris	(33-1)4069-3016
28-29	Sixth Annual Governing Meeting	Common Fund for the Commodities	Amsterdam	(3120)66-46-409
NOVEMBER				
2-4	Bolivia Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
6-11	Third International Congress on Energy, Environment and Technological Innovation	Central University of Venezuela/ University of Rome "La Sapienza"	Caracas, Venezuela	(58-2)693-1103
15-16	Viet Nam Donors' Meeting	World Bank	Paris	(33-1)4069-3016
16-23	Fifth African Regional Conference on Women	United Nations	Dakar, Senegal	(251)1-51-1263

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

MIGA

MIGA On-line

An Internet-based global information exchange and communications network designed to stimulate foreign direct investment (FDI) in developing and transition economies was unveiled in Madrid last week by the Multilateral Investment Guarantee Agency (MIGA).

MIGA, a member of the World Bank group which offers foreign investors in developing countries insurance against non-commercial risks, also launched a global club for investment promotion agencies (IPAs). MIGA will provide the secretariat for the club.

The electronic network, called IPAnet, will have directories, bulletin boards, electronic conferences, databases, a reference desk, and global communications. IPA net will be the electronic component in the global club for IPAs.

MIGA said it is inviting intermediaries which promote FDI in developing countries and emerging economies to join as founding partners, sponsors and members of IPA net. The network will later be open generally to investors.□

Brewing private flows.

No Request For Arun Investigation Received, Bank Says

The World Bank Inspection Panel released a statement on Monday denying press reports that it had received a formal request for inspection of the Arun III dam project in Nepal.

The Panel met with non-governmental organizations, government representatives and the press this week in Madrid, but no formal request regarding a specific project had yet been received, although several projects were mentioned as possible subjects of inspection requests, said Ernst-Gunther Broder, the Panel's chairman.

The Inspection Panel has been established for the purpose of providing people directly and adversely affected by a Bank-financed project with an independent forum through which they can request the Bank to act in accordance with its own policies and procedures.□

Donors Back Reforms To Resolve Burundi Crisis

Donors told Burundi last week that they are willing to assist the central African country in reconstructing its economy, meeting its budget problems, resettling returnees and internally displaced people, and reviving sustainable development.

But at the meeting of the Friends of Burundi, chaired by the World Bank, in Paris September 28, the donors also said that Burundi needed first to install a new president and a broadly representative government. They also expected the government and the country to be committed to national reconciliation, economic and social development, the protection of human and political rights, the rule of law and democracy.

Burundian representatives said that recent political accords paved the way for the installation of a new president and government soon and that the government planned to launch a national debate on the issues facing the country.

Donor representatives noted Burundi's efforts to mitigate the economic effects of the political crisis and encouraged the country to persist with sound economic policies, including addressing the quality of public spending and privatization.

WORLD BANK NEWS

Michael Prest, Editor
Cynthia Delgadillo, Production Assistant
Steve Hendrix, Reporter

World Bank News is published in English, French and German by the World Bank's External Affairs Department, Washington, D.C. 20433, U.S.A. Maps appearing in World Bank News are for the convenience of readers. The denominations used and the boundaries shown do not imply any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries. (ISSN 0254 6353) Telephone: (202) 473-9661.

The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.

WORLD BANK NEWS

Volume XIII, No. 38 October 13, 1994

IFC NEWS

IFC Investments to Help South Africa's Disadvantaged and CFA Countries

The International Finance Corporation (IFC) plans two investment initiatives in Africa, one to help companies in the CFA Zone and another aimed at disadvantaged entrepreneurs in South Africa. IFC also announced the opening of a resident mission in Johannesburg.

"We'd like to see black businesses, and those of other previously disadvantaged groups, develop," said Jemal-ud-din Kassum, IFC's Vice President for Operations.

The initiatives—a CFA capital fund and two equity investments in South Africa totaling almost $13 million, were unveiled in Madrid before the World Bank's Annual Meeting. IFC, a member of the World Bank Group, is the largest multilateral source of financing for private sector projects in developing countries.

Vincent Rague, a senior investment officer in the Capital Markets Division of IFC's Sub-Saharan Africa Department, will be the resident representative at the new South African mission, which will be up and running on November 1.

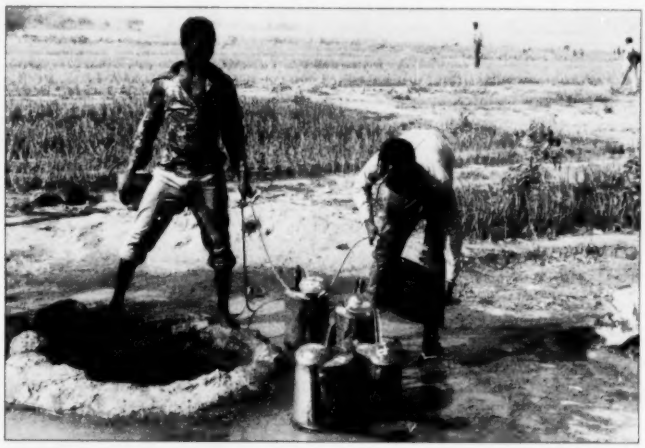
In the francophone CFA countries, IFC, along with Proparco (Groupe Caisse Francaise de Developpement), and leading international financial institutions, plans to create the CFA Capital Development Fund.

The closed-end fund, with an initial capital between $25 million and $35 million, would make investments in the CFA Zone, a region that encompasses 13 countries in West and Central Africa sharing a common currency, the CFA franc. In January, 1994, the CFA franc was devalued by 50 percent against the French franc, to which it is pegged.

The IFC would invest $8.75 million in the fund, which would target public enterprises being privatized and private companies that are expanding, modernizing, or restructuring their operations. The Capital Development Funds Investments, in the form of equity and quasi-equity, would be at least $1 million and would be invested in a variety of sectors, but mainly in export-oriented medium-sized and large unlimited companies.

"Some export-oriented companies that were barely profitable before the devaluation are showing signs of success but are undercapitalized, and there are many

See INVESTMENTS, page 4



UNICEF/Bill Heitzer

The easing of Africa's investment drought?

Bank governors from Africa update Annual Meetings' participants on developments—and needs—in Rwanda, Eritrea and South Africa. 2

The Bretton Woods institutions remain crucial in a changing world, says Spain's King Juan Carlos. 2

Development agenda, page 3

African Governors Send Messages Of Hope and Urgency

World Bank conferees heard messages of African hope as well as suffering from the podium of the Annual Meetings last week. Of 178 Bank governors who spoke, the three from Eritrea, South Africa and Rwanda—bearing news from the recent dramatic events in their homelands—sparked perhaps the greatest interest.

In the wake of Rwanda's recent catastrophe, that country's governor, Marc Rugenera, appealed for the international community to help Rwanda "regain its footing on the road to development and growth," and outlined his government's recovery plan. Rugenera told the gathering that the war—which claimed the lives of a million people (15 percent of the country's population)—left Rwanda "economically devastated and socially traumatized."

"Rwanda has never seen so many of its citizens widowed or mutilated, so many orphans, so many families torn apart," he said. "Within this context, it is easy to understand the magnitude of the challenges facing Rwanda's new government."

In the coming days and months, Rwanda must restart production that has suffered from war-induced shortages, Rugenera said. The ability and numbers of available workers, for example, are severely limited.

"Production facilities and economic infrastructures were largely destroyed by the war and the accompanying vandalism," he said. "The war economy has completely exhausted the country's exchange reserves, and while the domestic financial system is not facing potential bankruptcy today, it will be hard-pressed to meet the financial requirements for a recovery of economic activity."

Rugenera appealed for humanitarian aid but also called for the balance of payments support essential to launching a recovery. And special lines of credit on favorable terms are needed to help rebuild economic infrastructure, damaged enterprises and to refurbish businesses capital needs. Rugenera asked for social funds to subsidize the grass-roots needs of communities, repairing social infrastructure and restarting rural production.

The government's plan to restart economic activity aims to: reopen the financial sector to provide capital for the formal economy; remove regulatory obstacles to economic liberalization; speed up divestiture of state-owned enterprises; correct economic distortions linked to Rwanda's large volume of arrears; and improve economic policy coordination among government agencies.

For Eritrea, which joined the Bank only last July, the day marked a "historic beginning" among the community of nations for the newly independent country, according to Haile Woldense, governor of the Bank for Eritrea.

"Make it be known to all member countries of the IMF and World Bank that Eritrea is committed to applying its core principle of thinking globally and acting individually, thereby associating itself with the interests of the world community as a whole," Woldense said.

Chris Liebenberg, governor of the Bank for South Africa, told the gathering that this year's Annual Meetings were the first time his country's governor represented all the people of the country.

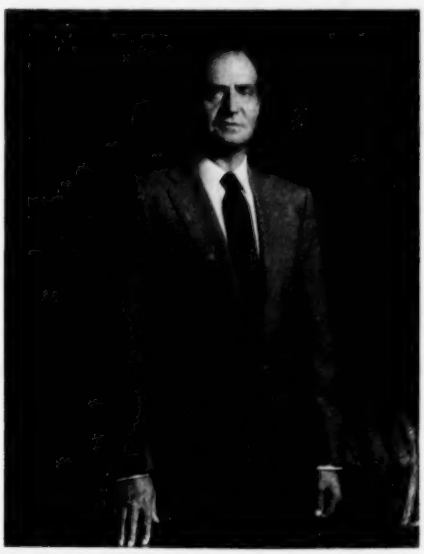
Liebenberg thanked the international community for the goodwill South Africa had received upon reappearing on the world stage. But he pointed out the challenges the new South Africa faces in coming years. Those challenges include tackling inherited social distortions, fulfilling the country's role as one of the continent's leading economies and working with other countries and multilateral institutions.□

Changing World Needs World Bank, King Juan Carlos Tells Meeting

Spain's King Juan Carlos I opened the World Bank's Annual Meetings in Madrid last week. Standing at the podium before Queen Sofia, Juan Carlos told the audience the Bank remains relevant in a changing world as it marks its 50th anniversary. Excerpts of the address follow:

Over the past five decades, the world has undergone far-reaching changes in all aspects of human endeavor. It would be impossible to discuss each of these changes in turn; however, I would like to mention in particular that the threat of widespread armed conflict similar to that of 50 years ago appears to have receded from view permanently.

The fact that both the International Monetary Fund and the World Bank have lost nothing of their importance in a world undergoing comprehensive change bears witness to their continuing relevance and credibility as institutions.



A. Schommer

King Juan Carlos I

It is essential that the economic, financial and human resources deployed by

See **SPAIN**, *page 4*

Date	Event	Sponsor	Location	Telephone
OCTOBER				
12-18	Asian and Pacific Ministerial Conference in Preparation for the World Summit for Social Development	UNDP	Manila	(202)473-1825*
24-26	International Conference on Environmental Issues in Minerals and Energy Industry	Mining Engineers' Association of India	New Delhi	(91) 674 51224
24-27	Second International Conference on Carbon Dioxide Removal	Research Institute of Innovative Technology for the Earth	Kyoto, Japan	(81)6 376 2963
24-28	International Centers Week: Consultative Group on International Agricultural Research (CGIAR)	CGIAR	Washington	(202)473-8913*
24-28	Special Program on Africa Donors' Meeting	World Bank	Paris	(33-1)4069-3016
28-29	Sixth Annual Governing Meeting	Common Fund for the Commodities	Amsterdam	(3120)66-46-409
NOVEMBER				
2-4	Bolivia Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
6-11	Third International Congress on Energy, Environment and Technological Innovation	Central University of Venezuela/ University of Rome "La Sapienza"	Caracas, Venezuela	(58-2)693-1103
15-16	Viet Nam Donors' Meeting	World Bank	Paris	(33-1)4069-3016
16-23	Fifth African Regional Conference on Women	United Nations	Dakar, Senegal	(251)1-51-1263
21-25	Banking with the Poor: Third Asia—Pacific Regional Workshop	The Foundation for Development Cooperation	Brisbane, Australia	(61)7-236-4633

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

Changes in Ownership and Control Needed, IFC Says

INVESTMENTS, *from page 1*

good investment opportunities in the region," said Dan Adams, IFC's Vice President for Capital Markets.

In South Africa, the IFC investments seeks to foster greater business opportunities that are now possible with the peaceful political transition well underway, IFC Executive Vice President Jannik Lindbaek told reporters in Madrid. And Kassum added that the prospects for long-term investments in the country look positive.

M. Iannacci

Vincent Rague

The first investment of 12.5 million rand ($3.7 million) will be made in the South Africa Franchise Capital Fund. The Fund aims to make capital available to members of previously disadvantaged groups. The loans, ranging in size from $40,000 to $500,000, will enable individuals to buy franchises in small businesses such as fast-food, dry cleaning and photocopying.

Franchising is a good entry into small business, said Tei Mante, director of IFC's Sub-Saharan Africa Department.

"It gives them access to the economies of scale, accounting and marketing expertise, and research and development facilities or larger organizations," Mante said.

The second investment—41.6 million rand ($9.2 million)—will go to the African Life Assurance Company Limited (Aflife). This growing company is listed on the Johannesburg Stock Exchange. It is currently being restructured, and will be controlled by a holding company owned by a consortium representing business interests from previously disadvantaged groups.

Aflife's restructuring, Mante said, represents the "types of changes in ownership and control" needed to boost involvement of the disadvantaged in the formal economy.

IFC's strategy in South Africa will first focus on helping such entrepreneurs, he said. The corporation aims to help with project finance and advice on project preparation. IFC will also encourage the flow of expertise and finance from the developed parts of South Africa's economy to the country's disadvantaged groups as they become more active.

In 1994, IFC has helped finance 57 projects in Sub-Saharan Africa.□

Bank Can Reach for New Goals

SPAIN, *from page 2*

the IMF and the World Bank in their activities maintain a scale that accurately reflects a world situation which has not only changed substantially since 1944 but is now characterized by the major transformations that are simultaneously affecting large areas throughout the world.

Let us not allow the positive outcome of all these changes to blind us to the advent of new problems or to the work that still remains to be done. Environmental deterioration and the consequences of increasingly widespread migration are obvious examples of emerging problems that demand imaginative solutions based on the deployment of concerted efforts.

No one disputes the need to be constantly aware of the impact of economic development policies on the environment. This is an issue to which more and more attention should be devoted, and one that should become a basic element of all project design.

In addition to these new problems, we are faced with the many grievous situations that regrettably still exist. Poverty and the urgent needs to which it gives rise demand that we renew our efforts, in all probability reassessing our priorities in order to do so.

The degree of well-being already achieved by some of our societies should enable us to allocate resources to other countries in accordance with criteria that are more generous and, in all likelihood, more efficient.

Acceptance of this new outlook means adapting our approaches in order to give the hope of a better life to those who live in appalling conditions of poverty.

It is not easy to get almost 180 countries, practically the entire world as it exists today, to reach agreement on priorities. However, with their newly globalized outlook, and based on their experience they have gained during their 50 years of life, the institutions are now in a position to reach for new goals.□

WORLD BANK NEWS

Michael Prest, Editor
Cynthia Delgadillo, Production Assistant
Steve Hendrix, Reporter

World Bank News is published in English, French and German by the World Bank's External Affairs Department, Washington, D.C. 20433, U.S.A. Maps appearing in World Bank News are for the convenience of readers. The denominations used and the boundaries shown do not imply any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries. (ISSN 0254 6353) Telephone: (202) 473-9661.

The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.